



**OFFICE OF
STATE TREASURER
DENISE L. NAPPIER**

NEWS

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Connecticut Pension Fund Performance Ranks in Top 1% In Nation Over Past Four Years, National Survey Finds

State Treasurer Denise L. Nappier said today that Connecticut's pension fund performance ranked in the **top 1% in the nation** over the past four years, according to the latest national survey of public pension funds with assets over \$1 billion.

The comparison of public pension fund performance for the four years ending September 30, 2002 is provided by the Trust Universe Comparison Services (TUCS).

"As a public pension fund, we are long-term investors, and it is long-term performance that matters most," Nappier said. "By that measure, we're second to none."

"During the length of my administration, we have achieved an investment gain of \$500 million, despite some of the toughest market conditions in more than a decade," Nappier said. "In addition, the pension fund has paid out \$2.8 billion in benefits to retirees."

Despite the recent market downturn, the Connecticut pension fund has **strongly outperformed its investment benchmark and the market**. Nappier said over the past four years (ending September 30, 2002), the pension fund return was 2.96%, compared with a negative 0.39% return for the investment benchmark, and a negative 4.15% return for the S&P 500. The investment benchmark is endorsed by the independent Investment Advisory Council and is representative of the fund's diversified holdings.

"Connecticut's pension fund has performed solidly and weathered the storm of a turbulent market," Nappier said. "We have consistently been taking less risk, and receiving a better return, than other public funds, and have resisted pressure to make riskier investments."

The aggregate value of the pension funds outperforming its investment benchmark, in dollar terms, was nearly \$2.4 billion over the past four years, for an average annualized outperformance value of \$590 million, net of fees. (If the pension fund performance had been at its benchmark, rather than exceeding it, in each of those four years, it would have achieved an average of \$590 million less in value each year.)

Building on the fund's strength, Nappier earlier this fall announced a five-point Pension Protection Plan designed to add greater safeguards to the pension fund. Nappier's Pension Protection Plan follows successful implementation of the Treasury Reform Law of

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2000 that Nappier developed to clean-up the Treasury in the wake of the corruption scandal involving her predecessor, who is now in jail. Treasury reform strengthened the role of the independent Investment Advisory Council, ensured greater accountability and transparency, improved checks and balances, and imposed higher ethical standards.

The plan includes: 1) advocating that the State's pension system continue as a defined benefit plan, 2) amending the State Constitution to require that the State Teachers' Retirement System be fully funded, 3) seeking legislation to give the State Treasurer the option of using unappropriated surplus dollars to either retire State debt or put more money in the retirement system, depending upon market conditions, 4) requiring that all State money managers adhere to principles that would separate investment bankers from money managers in multi-service Wall Street firms, and 5) amending the State Constitution to require that future candidates for State Treasurer have had at least five years experience in public fund or financial management before seeking the Office of Treasurer.

"I came into the State Treasury confronting one the worst political scandals in Connecticut history by my Republican predecessor, so I know something about restoring public confidence and the importance of being able to hit the ground running," Nappier said. "When my five-point Pension Protection plan is fully implemented, we will be well on the road to more fully funding our future liability as a state, and providing greater protections for state pension fund assets."

Regarding the proposal to require Treasury candidates to have public fund or financial management experience, Nappier said "having served as Hartford City Treasurer for almost 10 years, I was prepared to deal immediately with the complex, technical issues facing the Treasury and develop a comprehensive and effective Treasury reform plan. The people of Connecticut, and our retirees, deserve expertise at the helm -- especially given the growing complexities of public pension fund management."